



IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) ADOPTION ON FINANCIAL REPORTING PRACTICE OF SELECTED COMMERCIAL BANKS IN NIGERIA

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Abstract

The main purpose of this study is to examine the impact of International Financial Reporting Standard (IFRS) adoption on the financial reporting practice of selected commercial banks in Nigerian using some financial ratios selected from three major categories of financial ratios. The population comprise of 21 commercial banks listed on the Nigerian Stock Exchange (NSE) as at December 31, 2014. Eleven banks were selected based on availability of data required for the investigation. This study was conducted through the comparison of ratios that were computed from IFRS based financial statements and Nigerian GAAP based financial statements. The Wilcoxon Signed-Rank test was used to test whether significant difference exists in the profitability, liquidity and leverage of banks using IFRS and Nigerian GAAP financial statements. We therefore recommended that there should also be much more enlightenment campaigns on the potential effects of IFRS implementation by the regulatory authorities, professional bodies and government before the impact in Nigeria gets worsened and out of hand. Furthermore, companies should endeavour to use the opportunity presented by the adoption of IFRS to improve their business processes in all ramifications so as to aid uniformity and transparency.

Introduction

International Financial Reporting Standards (IFRS) are accounting standards developed by the International Accounting Standard Board (IASB) which has become the global platform for the preparation and presentation of public company financial statements. As a global language, IFRS is established for business dealings to enhance understanding and comparability across international boundaries. With the world's revolution into a global village, the magical aspect of globalization has led to the evolution of "global village" that we all live in now. Accounting is the language of business; and businesses around the world can no longer afford to be speaking in different languages, with each other while sharing and exchanging results of their international business activities (Holt & Mirza, 2011). The framework for the preparation and presentation of financial statements depicts the principles underlying IFRS. The IASB's IFRS Framework states that; "The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity, that is useful to a wide range of users in making economic decisions" (IASB, 2010).

The attestation towards the adoption of IFRS is the expectation to create either in the long run or short run, an increase in shareholder's wealth. In the light of this attestation, the benefits attributed to the adoption of IFRS are innumerable and are continuously questioned by several accounting intellects. Most studies on IFRS have concentrated on it as a financial reporting issue. But financial reporting is one aspect of the total impact of IFRS on corporations. The adoption of IFRS arguably leads to more accurate, comprehensive and timely financial statement information, better comparability of financial statements and much more, transparency in reporting (Daske&Gebhardt, 2006; Ball, 2006; Barth, Jagolizer, Armstrong & Riedl, 2008; Chua & Taylor, 2008; Gebhardt& Novotny-Farkas, 2010). The

Implementation of IFRS reduces information irregularity and strengthens the communication link between all stakeholders (Bushman & Smith, 2001). It also reduces the cost of preparing different versions of financial statements where an organization is a multi-national (Healy & Palepu, 2001).

The need for harmonization of financial statements and single set of consistent high quality financial reporting standards gained wide spread acceptance amongst policy makers and preparers of financial statements due to the increase in the volume of cross border capital flows and the growing number of foreign direct investments. Before the global convergence to IFRS, different countries of the world had their respective accounting standards, developed, issued and regulated by their respective local bodies. This made comparison of results of companies operating in different financial reporting jurisdictions rather difficult.

The transition to a global uniform framework is, therefore, an eloquent authentication of the international consensus on IFRS as benchmarks for assessment of the financial health of economic entities across the globe (Herbert & Tsegba, 2013). The change from local standards to IFRS causes a change in the accounting representation of the firm's financial position and performance that may cause investors to revalue the equity of the firm (Wang & Welker, 2010). The likely changes in accounting representation of the financial performance of firms remain a subject for continued empirical debate. The contending issue is whether such changes have the potential to present a more attractive position of the financial performance of the firms or otherwise. The motivation for this study, therefore, stems from these considerations i.e. whether IFRS induced numbers address stakeholder interest more than the local financial reporting standards. The focus on the Nigerian banking sector illuminates the significant role played by banks in economic development. As acceptors of deposits and savings, and active players in a nation's financial system, the reported financial performances of banks dictate the amount of deposits they receive and the investments they can promote.

Statement of the Problem

The discontentment derived from globalisation is as a result of the increasing disparity between the advanced western countries and advancing/less advanced countries. IFRS is an exemplification of many generations of international harmonization discourse. Prior to the adoption of IFRS in Nigeria, Nigerian Generally Accepted Accounting Principle (NGAAP) was used for preparing and reporting financial information. Notwithstanding that the theoretical basis and general principles in GAAP are corresponding with IFRS in certain areas, innumerable differences still exist. There have been arguments among accounting intellects that the adoption of IFRS can be disturbing to some countries if financial statement figures are negatively altered by IFRS adoption thereby putting those countries' companies in a competitive disadvantage in the global market. It is widely believed that the lack of proper use of international accounting standards in affected countries of which Nigeria is a part hinders transparency and comparison in the financial statements of corporations and banks (Luqman, 2014). As a result of this, financial statements fail to provide useful and accurate information that will be used for good investment decision on a timely basis. This study is a response to the paramount need of users of financial statements to know the impact on financial performance as a result of the alteration to IFRS. This study seeks to provide solution to problem of whether the financial performance of Nigerian banks compiled under NGAAP differs significantly from the financial performance compiled using IFRS.

Objectives of the Study

The paramount aspiration in this study, therefore, is to appraise the effect of IFRS adoption on the financial performance of selected Nigerian Banks. To achieve this main objective, specific objectives are outlined;

- a) To ascertain whether significant differences exist in the profitability of firms using IFRS and NGAAP.
- b) To ascertain whether significant differences exist in the liquidity of firms using IFRS and NGAAP.
- c) To ascertain whether significant differences exist in the financial leverage of firms using IFRS and NGAAP.

Research Questions

- a) Is there any significant difference in the profitability of firms using IFRS and NGAAP?
- b) Is there any significant difference in the liquidity of firms using IFRS and NGAAP?
- c) Is there any significant difference in the financial leverage of firms using IFRS and NGAAP?

Research Hypotheses

H₀₁: IFRS adoption does not significantly affect the profitability of Nigerian banks.

H₀₂: IFRS adoption does not significantly affect the liquidity of Nigerian banks.

H₀₃: IFRS adoption does not significantly affect the leverage of Nigerian banks.

Literature Review

Conceptual Framework

The international convergence of accounting standards is no longer a recent concept. According to Nobes (2006), the notion first came to light in the late 1950s in response to post World War II economic integration and related increases in cross-border capital flows. The charge to promote a collective set of accounting standards emanated from international differences downsized by investment opportunities (IFAC, 2008). The merging of the diverse accounting standards and the evolutionary changes that resulted in the development of IFRS has been a contemporary issue in the world of accounting. At first, a lot of efforts centred on harmonization which brought about reducing differences among the accounting principles used in major capital markets around the world. The notion of harmonization was reinstated by the concept of convergence; the development of a single set of high quality, international accounting standards that would be used in at least all major capital markets in the 1990s. However, Herbert (2010) ascertained that various attempts have been made and are still on-going to eliminate or reduce many of the major differences in accounting standards through a process known as harmonization. As a result of the inherent adversity during the era, internationalization of accounting standards was presumed as an endeavour of conflicts (Choi & Mueller, 1984). This conflict is entrenched in the process of standard setting which is publicly instigated in some countries and, in others, through the private professional accountancy bodies. These societal alterations in the manner of standard setting inevitably gave rise to the vogue of diverse standards in diverse countries.

Financial Reporting in Nigeria: The Nigerian Accounting Standard Board (NASB) at its amalgamation as a board gave the introductory collective and professional mind-set with regards to the regulation of accounting profession in Nigeria in 1982. As a faction of a government parastatal, NASB issued some standards which though, were not wholeheartedly followed by all players; served effectively in providing a uniform basis for locally based companies and preparers of financial statements (ICAN, 2006). The major setback of the NASB was the refusal of multinational companies to adopt the SASs as they considered it mere codifications of the extant International Accounting Standards (Nigeria's Financial Hub, 2011). The continual public outcry as well as the urgent need to adopt IFRS therefore, necessitated the need for the enactment of the Financial Reporting Council of Nigeria (FRCN) in 2011. In June 2011, legislative changes were enacted under which the FRCN replaced the NASB as the entity responsible to aid the implementation of IFRS in Nigeria.

The FRCN is now the body corporate solely responsible for the issuance, monitoring and review of Accounting and Auditing Standards in Nigeria. The council is empowered under section 52(1) of the Act to adopt and keep up-to-date accounting and auditing standards, and ensure consistency between Standards issued under IFRS as provided under Part VII of FRCN Act 2011 which dealt with review and monitoring of standards. This is one of the major developments brought by FRCN Act in 2011, where Federal Executive Council approved the adoption of IFRS as the reporting framework to publicly quoted entities by 2012 in Nigeria. In the presentation of a paper in 2012 at a retreat with Accounting Lecturers in Nigerian University, the Director of FRCN, Jim OsaynadeObazee noted that the "FRCN will require management assessment of internal controls, including Information Systems Controls with independent attestation". He stated further that as part of the FRCN oversight of professionals, "the FRCN requires good code of ethics for financial officers and certification of financial statements by chief executive officers and chief financial officers" of reporting entities (Obazee, 2012). More so, the FRCN will reinvigorate efforts in restoring public confidence in financial reporting as it "issues code of corporate governance and guidelines, and develop a mechanism for periodic assessment of the codes and the guidelines" (Obazee, 2012). Arguing further for the enactment of the FRCN act, Anao (2012) states that the development is timely as it expands the scope of financial regulation beyond traditional spheres of accounting and financial reporting and also spans auditing and corporate governance. The increased involvement of government in financial reporting presents a picture that is ardently passionate about the public interest.

Although regulatory framework of FRCN is potentially strong to support the on-going mandatory adoption of IFRS, Oduware (2012) argued that, some still consider IFRS for accounting and its implementation lies with the finance function of companies. However, IFRS is more than accounting; rather it is all about the way and manner in which an entity conducts its business after giving consideration to its accounting and financial reporting implications. This agreed with the view of Obazee (2012) who opined that, conversion to IFRS is more than an accounting exercise and will have an effect outside the finance function in areas such as: information technology, human resources; and investor relations. It also has a regulatory implication which is not limited to capital adequacy for bank, and solvency margins for insurance, but it also affects capital management for all entities.

Harmonization, Convergence, Adaptation and Adoption of IFRS: Regardless of IFRS becoming the need of the hour around the world and companies aggressively attempting to globalize their operations, some perplexity still prevails over the difference between harmonization, adoption and convergence with IFRS. However, even in common dictions and contemporary literature, the terms are applied conversely amongst users of IFRS and it is important that in any IFRS discourse, the distinction should be clarified.

The term harmonization clearly means “the reconciliation of different accounting and financial reporting systems by fitting them into common broad classifications, so that form becomes standard while content retains significant differences” (Odia & Ogiedu, 2013). Quigley (2007) believes that accounting harmonization is necessary for the globalization of capital markets. Convergence means to achieve harmony with IFRS; in precise terms, convergence with IFRS means that the country’s accounting standard board (e.g. FRCN) in applying IFRS would work in accordance with IASB to develop high quality compatible accounting standards over time. Convergence is the process by which standard setters across the globe discuss accounting issues drawing on their combined experiences in order to arrive at the most appropriate solution; it is actually a gradual process of changing a country’s accounting rules towards IFRS. The ultimate objective of convergence is to achieve a single set of internally consistent, high global accounting standards, issued by the IASB and adopted by all the national standard setters (IASB, 2003). Obazee (2007) suggests that convergence could be either by adoption (a complete replacement of national accounting standards with IASB’s standards) or by adaptation (modification of IASB’s standards to suit peculiarities of local market and economy without compromising the accounting standards and disclosure requirements of the IASB’s standards and basis of conclusions).

Another term that raises confusion in the IFRS lexicon is ‘adaptation’. In simple terms, adaptation is referred to as any transition to IFRS that entails the modification of IASB’s standards to suit national/jurisdictional peculiarities of interests even without compromising the accounting standards and disclosure requirements (Odia & Ogiedu, 2013). On the other hand, “adoption” presupposes that national rules are set aside and replaced by IFRS requirement. To a layman, it can be understood that when a country adopts IFRS, it means that the country shall be implementing IFRS in the same manner as issued by the IASB and shall be 100% compliant with the guidelines issued by IASB (Odia & Ogiedu, 2013).

Adoption of IFRS in Nigeria: For a Country to advance in the global financial market, there is a compelling need for a well- proportioned global financial reporting. On that account, most countries have clinched IFRS either by adoption, adaption or convergence. By virtue of recent literature, the cynosure on IFRS was to critically appraise its adoption, challenges and to propose a band aid that would guarantee smooth transition from national standards to IFRS. To operate in the modern day world economy and to realize the full gains of international listing, no individual country can act alone in its financial reporting standards (Garuba, 2012). This gave rise to the adoption of IFRS in Nigeria in January 2012. The Adoption has changed the way and manner in which financial statements are prepared, reported and presented. IFRS adoption is believed to have the most significant impact on accounting and financial reporting functions, enhance greater transparency and disclosures in financial statements and so on (Ball, 2006; Epstein, 2009, Adam, 2009). Nigeria’s growth in the global business community and the need for international involvement necessitates the regulators and operators in the Nigerian Financial System to take action to ensure a smooth transition from SAS to IFRS with the motive to bring in a higher and improved standard of financial reporting and disclosure (Akindele, 2012).

Hinged on the presumption of NASB to promote admissible published financial reports and high quality accounting standards that are uniform with international practices, a Stakeholders’ Committee on the Roadmap to the Adoption of IFRS in Nigeria was inaugurated on October 22, 2009. In July 2010, the Nigerian FEC approved the Roadmap to the Adoption of IFRS in Nigeria; IFRS will start by 1 January, 2012 beginning with publicly quoted companies. Other Public Interest Entities (PIES) are to converge to IFRS by 1 January, 2013 and small and medium size entities will converge by 1 January, 2014. it was iterated in the report that, it will be in the interest of the Nigerian economy for reporting entities in Nigeria to adopt globally accepted, high-quality accounting standards by fully converging Nigerian National Accounting Standards with IFRS by following a Phased Transition effective January 1, 2012.

Arguments Supporting and Opposing IFRS Adoption: There are supporters as well as opponents who have arguments for and against the global adoption of IFRS. According to Barth (2007), the adoption of a common body of international standard is expected to have the following benefits: i) it enables accountants and auditors preparing financial reports to be familiar with one common set of international accounting instead of various local accounting standards, ii) financial statements are easily comparable and in uniformity among countries giving ease to investment analysis, iii) it attracts foreign investors in addition to general capital market liberalization. Ball (2006) stated that many developing countries where the quality of local governance institutions is low, the decision to adopt IFRS will be beneficial. The idea of adopting IFRS has been justified that it will lead to greater transparency, accountability and understanding, lower cost of capital to companies and higher share prices (due to greater confidence of investors and transparent information), reduced national standard setting costs, ease of regulation of securities markets, easier comparability of financial data across borders and accessory investment opportunities. The adoption of IFRS will also assist the progress of easier international mobility of professional staff across national boundaries. For multinational companies, it will aid in the fulfilment of the disclosure requirement for stock exchanges around the world (Barth et al., 2008, Covrig, Defond& Hung 2007, Daske, Hail, Leuz& Verdi, 2008).

Lipsey and Chrystal (2003) noted that foreign direct investment (FDI) alters country's comparative advantages and improves its competitiveness through technology transfer and effects myriad externalities, domestic investment which can alter a country's volume and pattern of trade in many income enhancing directions. Countries that suffer from corruption, slow-moving, or ineffectual government are likely to resistant the change (La Porta, Lopez-de-Silanes&Vishny, 1999) but in such countries, the opportunity and switching costs are lower which makes the possibility of adopting IFRS advantageous. Kumar (2007) further argues that the foreign capital has the potential to deliver enormous benefits to developing nations. In addition to helping bridge the gap between savings and investment in capital-scarce economies, capital often brings with it modern technology and encourages development of more mature financial sectors. Capital flows have proven effective in promoting growth and productivity in countries that have enough skilled workers and infrastructure. Some economists believe capital flows also help discipline governments' macroeconomic policies. Although many countries have faced challenges in their decisions to adopt IFRS, its wide spread adoption has been promoted by the argument that the benefits outweigh the costs (Iyoha&Faboyede, 2011).

International Financial Reporting Standard (IFRS) Versus Nigerian Generally Accepted Accounting Principles (NGAAP): The major difference between IFRS and NGAAP is that the former is a more robust and principle based set of accounting standards with detailed disclosure requirements. In accordance with IFRS, Nigerian public listed entities were required to present their financial statement reports beginning January 2012. Before then, all Nigeria firms prepared their financial statements in accordance with local standards issued by the Nigerian Accounting Standard Board (Abdulkadir, 2012). As may be observed, the significant differences outlined in the financial statement presentation such as change in equity, segment reporting, income statements and significant management estimates and judgements are concepts that were not addressed in the local standards. The key differences are shown in table 2.1 below but the main concerns are on whether the results of the financial statements would be significantly different if prepared under the alternative methods.

Table 2.1: Differences between IFRS and NGAAP

Topic	Nigerian GAAP	IFRS
Financial Statement Presentation	<ul style="list-style-type: none"> Income statement Balance sheet Cash flow statement Value added statement Accounting policies 	<ul style="list-style-type: none"> Statement of Comprehensive income Statement of Financial position Statement of Changes in Equity Statement of Cash flows Accounting policies
IFRS 1-First time adoption of IFRS	Not applicable	Provides guidance and requirements on the transition to IFRS.
Property Plant and Equipment	Measured using cost model	Measured using cost model with detailed guidance regarding <ul style="list-style-type: none"> Componentization Useful lives Residual values
Segment Reporting	More on geography	Operation segments based on management's view.

Financial Guarantees	Disclosed as contingent liabilities	Requires financial guarantees to be recognized at their fair value
Related Parties	Limited disclosure but expected	Detailed guidance on identification of related parties detailed disclosure of related parties and transactions.
Risk management disclosures	Limited disclosure of foreign exchange and credit risk	Disclosure Required for credit risk and liquidity risk, price risk, capital risk management and risk management.
Financial asset classification and valuation	Classification include: cost and amortized cost	Classification include: Amortized cost and fair value. This is driven by the business model and nature of the instrument.

Source: Abdulkadir, (2012)

Theoretical Framework

This framework reviews the agency theory, stakeholder's theory and the stewardship theory and its relation to IFRS adoption.

Agency Theory: Agency theory refers to a set of propositions in governing a modern corporation which is typically characterized by large number of shareholders or owners who allow separate individuals to control and direct the use of their collective capital for future gains. These individuals may not always own shares but may possess relevant professional skills in managing the corporation. The theory offers many useful ways to examine the relationship between owners and managers and verify how the final objective of maximizing the returns to the owners is achieved, particularly when the managers do not own the corporation's resources.

The agency theory has its roots in economic theory. This was expounded by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976). In the agency theory, the principal (owners and shareholders) delegates the decision making power to the agent (directors, managers and management) who may pursue interests that may not necessarily be in favour of the principal but may in fact hurt the principal through information asymmetry (Ross, 1973; Fama, 1980). The agency theory deals with entrusting resources to the agent who in turn is required to produce a report in qualitative and quantitative manner and are expected to align the interest of the owners of a business and managers of a business and managers in order for the set objectives of the organization to be achieved.

According to Kiel and Nicholson (2003), Agency theory is viewed as the separation of control from ownership. It implies that the professional managers manage a firm on behalf of the firm's owners. Gerrit and Mohammad (2007) argued that (as cited in Adeyemi&Olowookere, 2011) the agency theory states that agents have more information than the principals and as such this information asymmetry could adversely affect the principal's ability to monitor if the organization is being run in their best interest. Hence, it was asserted that managers possess superior knowledge and expertise compared to the owners of the firm. Consequently, they are in a position to pursue their personal interest at the expense of the shareholders.

Stakeholder's Theory: The term "stakeholders" refers to groups of constituents who have a legitimate claim on the firm (Freeman, 1984; Pearce, 1982). This legitimacy is established through the existence of an exchange relationship. Stakeholders include stockholders, creditors, managers, employees, customers, suppliers, local communities and the general public. According to March and Simon (1958), each of these groups can be seen as supplying the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements).

In 1963, the Stanford Research Institute (SRI) defined stakeholder's theory as those groups without whose support the organisation would cease to exist. Freeman (2004) modified the definition as those groups who are vital to the survival and success of the organisation. The stakeholder's theory focuses on the issues concerning the stakeholders in a firm. It stipulates that a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction (Abrams, 1951). According to Gray, Owen and Adams (1996), practising stakeholder theory helps organisation to achieve the organisational goals which include increasing profitability. Craig (2010) asserted that the view of stakeholder theory is that all the stakeholders have right to be provided with information about how the organisation is affecting them (through community sponsorship, provision of employment, safety initiatives, etc.), even if they choose not to use the information and even if they cannot directly affect the survival of the organisation. Ullmann (1985) argues that the greater the

importance to the organisation of the stakeholder's resources/ support, the greater the probability that a particular stakeholder's expectations will be accommodated within the organisation's operations. Moreover, organisations will have an incentive to disclose information about their various programs and initiatives to the stakeholder groups concerned to clearly indicate that they are conforming to those stakeholders' expectations, as organisations must necessarily balance the expectations of various stakeholder groups.

Within the same line of thought, Roberts (1992) argued that stakeholder related activities are useful in developing and maintaining satisfactory relationships with stockholders, creditors and other related parties. Developing a corporate reputation through performing and disclosing necessary reports activities is part of a strategy for managing stakeholder relationships. Disclosing necessary information to the shareholders is the duty of management and proper disclosure can build good relationship between owners and managers while at the same time reducing agency problem. However, stakeholder theory does not directly provide prescriptions about what information should be disclosed (Craig, 2010) other than indicating that the provision of information, including information within an annual report can, if thoughtfully considered, be useful for the continued operations of a business entity.

Stewardship Theory: Stewardship theory presents a different model of management, where managers are considered good stewards who will act in the best interest of the owners (Donaldson & Davis, 1991). Stewards are motivated only by making the right decisions which are in the best interest of the organisation, as there is strong assumption that stewards will benefit, if the firm is prospered. A steward protects and maximises shareholders wealth through firm performance, because by doing so, the steward's utility functions are maximized (Davis, Schoorman and Donaldson, 1997).

Stewardship is defined as the behaviour that places the long term interest of the organisation as well as the shareholders a head of individuals' self-interest (Caldwell and Karri, 2005). Stewardship theory sees a strong relationship between managers and the success of the firm. Donaldson and Davis (1989) argued that stewardship theory ignores individualism, rather firm executives and managers play their role as stewards by aligning their interest along with the organisation's goals.

Unlike agency theory where firm executives and managers aim to work for their self-interest, in stewardship theory, company executives and managers are aimed to protect and make profits for the principals (shareholders). In fact, stewardship establishes a successful organisation which leads to happiness and motivation of stewards, not individual success nor goals attained.

Review of Prior Studies

Zeff (1978) first discussed the impact of financial reporting as economic consequences where he studied the impact of accounting reports on the decision making behaviour of business, government, unions, investors and creditors. There are three types of effects in the area of economic consequences in accounting literature: the financial reporting effects, capital-market effects and macroeconomic effects (Bruggemann, Hitz and Sellhorn, 2013). A financial reporting effect is the concern of this study and reflects the immediate impact of the change in standards on properties of financial statements. The impact of IFRS adoption on key financial ratios is likely to be limited if a firm's institutional environment and the firm-level incentives remains unchanged. In the context of adopting ratio for examining the effects of IFRS adoption on various variables, a number of studies have been carried out.

Zayyad, Ahmad, and Mubaraq (2014) conducted a study to examine the effect of IFRS adoption on the performance evaluation of a case firm using some financial ratios selected from four major categories of financial ratios. The study was conducted through comparison of the ratios that were computed from IFRS based financial statements and Nigerian GAAP based financial statements. The study used the case study research approach and the population of the study was made up of Nigerian firms that were in compliance with IFRS in the year 2013. Oando Plc was the sample used and the years observed was from 2004-2010. The Mann-Whitney U test statistics was employed to test whether a significant difference exists among the ratios calculated from the pair of financial statements. The result of the Mann-Whitney U test showed that there is no significant difference between the pair of ratios at 5% level of significance. The findings showed that the disclosure of IFRS compliant set of financial statements were not attributable to higher performance evaluation through ratios of the case firm.

Ibiamke and Ateboh-Briggs (2014) conducted a study to examine the impact of IFRS adoption by Nigerian listed firms on key financial ratios used by investors. The study employed an innovative design known as "same firm-year"

research design to examine how IFRS adoption changes key financial ratios of Nigerian listed firms and the population for the study comprised of 198 firms listed on the Nigerian Stock Exchange as at 31st December 2010. A sample of 60 companies using a filter scale was used. Gray Index was used to find the impact of IFRS adoption on financial ratios while, Paired sample t test and Levene's F were used to test the statistical significance of the differences in mean and variances between ratios under IFRS and NGAAP respectively. The findings caused a negative impact on the financial ratios of Nigerian listed firms, but the impact was not statically significant. The study recommends that analysts and other financial statement users should be mindful of the new features of financial statement when taking economic decisions during this period of transition to IFRS in Nigeria.

Blanchette, Racicot and Girard (2011) provided a preliminary evidence of the impact on financial ratios caused by the transition to IFRS in Canada. The study compared 26 ratios computed from IFRS financial statements and Canada GAAP financial statements. Nine firms were used and the data were extracted from the financial statements prepared for under each accounting standard during the transition years. Their findings show that "IFRS's impact on financial ratios is driven by fundamental differences in application of fair value accounting and consolidation under IFRS and pre-changeover Canadian GAAP", "differences between IFRS and pre-changeover Canadian GAAP do not affect cash flows and most of the financial ratios under IFRS present a significantly higher volatility than those computed under pre-changeover Canadian GAAP". Lantto and Sahlstrom (2009) conducted a study on the impact of IFRS adoption on key financial ratios of Finnish listed firms. This was achieved by calculating ratios from sampled 91 firms' on Helsinki Stock Exchange. The findings shows that the adoption of IFRS changes the magnitude of the key accounting ratios of Finnish companies; profitability ratios increase by 9.19% and the price-to-earning (PE) ratios decrease by 11%, gearing ratios increase by 2.9% while equity ratios decrease by 0.2%.

Punda (2011) based on Lantto and Sahlstrom (2009) examined the effects of IFRS adoption on key financial ratios of UK listed firms. The study used Non-parametric Wilcoxon Signed-Rank Test to test the statistical significance of the differences between the UK-GAAP based ratios and IFRS ratios. The data of the study was collected from the reconciliation reports, which were included into the company's annual reports at the year of transition. To exhibit full impact of IFRS adoption on UK-listed companies, five financial ratios; three profitability ratios (operating profit margin (OPM), return on equity (ROE), return on invested capital (ROIC)); one liquidity ratio (current ratio (CR)); and one market-based ratio. A sample of 250 entities on the Financial Times Stock Exchange (FTSE) was examined and only firms reporting all the information needed were included. The study reported a substantial change in the key performance indicators of these firms post IFRS adoption. In the light of these researches, this study compares the financial ratios of a firm computed from its IFRS compliant financial statements and the Nigerian GAAP based financial statements. The essence is to ascertain whether a significant difference exists and whether such difference, if any, is better for the company by increasing stakeholders' assessment of the company's performance thus increasing its value.

Methodology

Research Design

Based on the existing theoretical and empirical literature, this study adopts explanatory research design as it embraces the use of secondary data in examining the financial performance effects of IFRS adoption. The focus of this study is on Nigerian banks as a whole with emphasis on the profitability, liquidity and financial leverage of financial statements prepared using NGAAP and IFRS culled from several sources and analysed for the year 2014 when comparative financial statements for both standards were made available.

Population of the Study: For this study, the population is all the twenty one (21) banks quoted in the official daily lists of the Nigerian Stock Exchange (NSE) market making up the Nigerian banking sector as at 2014. For the purpose of this study, the Nigerian banks were stratified on the basis of those that adopted and reported their financial statements using IFRS and NGAAP.

Sample Size and Sampling Technique: Though there are different firms preparing and presenting their financial statements using NGAAP and IFRS, this study focuses on banks. However, due to the challenges of accessing the entire population, a sample was selected for the study using the judgemental sampling technique to ensure equal representation and to enhance a broad spectrum generalization of the study results. A sample size of 11 banks were selected namely; Diamond Bank, Eco Bank, Fidelity Bank, First Bank of Nigeria (FBN), First City Monument Bank (FCMB), Skye Bank, Stanbic IBTC Bank, Standard Chartered Bank (SCB), United Bank of Nigeria (UBA), Unity Bank, and Wema Bank based on availability of data necessary for the investigation.

Sources of Data: This analysis is based on documented secondary data culled from several sources such as; Central Bank of Nigeria (CBN) statistical bulletin and annual reports of the selected banks, the daily stock listings reported in the National dailies, previous works and publications. This approach is relatively efficient and has readily available data for the analysis, which is to a reasonable extent, true and fair.

Instruments of Data Collection: The data for this study was majorly gotten from secondary data. Two sets of financial statements for all observations were gathered; the first is IFRS financial statements and the other is NGAAP financial statements for the same year (2011). Information on the adjustments made to the “pre-IFRS” year figures are extracted from the IFRS/NGAAP reconciliations. Although the reconciliations varied considerably in format and level of details supplied, the main aim was to separate which financial statement elements were impacted by IFRS and the amounts involved. To analyze our samples, three financial ratio categories were implemented; profitability, liquidity and financial leverage. The ratios were calculated based on figures obtained from financial statements that are constituted according to the two sets of accounting standards (NGAAP & IFRS) for the same year (2011). The Wilcoxon signed-rank test is carried out to ascertain whether significant differences exist in the profitability, liquidity and financial leverage of banks using IFRS and NGAAP financial statements.

Definition and Measurement of Variables: The variables used in this study represent the measures of firm performance that may be affected by the adoption of IFRS. To measure financial performance (independent variable), three financial ratio categories were adopted; profitability ratio (Return on asset, ROA), Liquidity ratios (Current ratio), Financial leverage ratios (Debt to equity ratio, D/ER). These financial performance measures are useful to both external stakeholders (existing or potential investors, loan providers and suppliers) and internal stakeholders (corporate managers) to flag problems requiring financial reporting (Higgins, 2009). ROA measures the net income produced by total assets during a period by comparing net income to the average total assets. This ratio measures how efficiently a company can manage its assets to produce profits during the year. This ratio is calculated by dividing net profit after tax by total assets.

Current Ratio is the balance sheet financial performance measure of company liquidity. It indicates a firm’s ability to meet short term debt obligations with its short term assets. This ratio is calculated by dividing current assets by current liabilities. D/ER is a financial ratio indicating the relative proportion of entity’s equity and debt used to finance an entity’s assets. It is used as a standard for judging a company’s financial standing and it is a measure of a company’s ability to repay its obligations. It is calculated by dividing total liabilities by total equity

The variables and their measurements are shown below:

Table 3.1- Measurement of Variables

Variables	Definition	Measurement	Source
<i>CUR</i>	Current Ratio	Current ratio divided by current liabilities	Statement of Financial Position
<i>ROA</i>	Return on Assets	Net profit after tax divided by total assets	Statement of comprehensive income/ Financial Position
<i>D2ER</i>	Debt to Equity ratio	Total liabilities divided by net assets	Statement of Financial Position

Source: Researcher’s Computation (2016)

Method of Data Analysis

The Wilcoxon signed-rank test for two related samples is used to test the hypothesis of interest. The Wilcoxon signed-rank tests are non-parametric tests which are suited for studies with small sample sizes (Jerome, 2008). The Wilcoxon signed-rank test is carried out at three levels; the first involves an investigation into the general effect of ROA on the performance of the selected banks, the second level is concerned with the effect of Current ratio on the performance of the selected banks while the third phase would be an investigation into the general effect of Debt to Equity ratio on the performance of the selected banks. All these three phases would be considered for the year under investigation. In order to carry out these tests, the firm performance proxies are calculated for every bank in 2011 financial year. The advantage with Wilcoxon signed-rank test is that it neither depends on the form of the parent distribution nor on its parameters neither does it require any assumptions about the shape of the distribution. For this reason, this test is often used as an alternative to t-test whenever the population cannot be assumed to be normally distributed. Even if the normality assumption holds, it has been shown that the efficiency of this test compared to t-test is almost 95%.

The procedure for calculating the Wilcoxon signed-ranks test is as shown below:

- Calculate a difference score for each subject, the score in Sample 1 minus the score in Sample 2. When a subject has a zero difference score we remove the subject from the analysis and reduce the size of n by 1 in each case.
- Rank the difference scores from lowest to highest, ignoring the sign.
- Sum the ranks of the positive differences ($\sum R_+$) and sum the ranks of the negative differences ($\sum R_-$). The smaller of the positive and negative sums of ranks is the calculated value of T . (If a one-tailed prediction has been made the smaller of the two values should be consistent with the prediction. If it is not then it certainly is not significant.) It is worth checking that

$$\frac{\sum R_+ + \sum R_-}{2} = \frac{n(n+1)}{2}$$

as both sides of the equation add up to the sum of the ranks.

- Compare the calculated value of T with the critical value in the table, using n to find the correct value, at the chosen level of significance. The calculated value of T must be equal to or smaller than the value in the table for significance.

Data Presentations and Interpretation

Data Presentation

Data for IFRS adoption on firms' profitability, liquidity and financial leverage were obtained from the secondary sources and converted to percentages and ratios respectively as presented in the tables below with an accompanying bar chart:

Table 4.1: IFRS Adoption on Firms Profitability

Financial Performance - Profitability (ROA)			
<i>Banks</i>		<i>NGAAP</i>	<i>IFRS</i>
Diamond	1	-1.40	-1.72
Eco-bank	2	-207.89	1782.76
Fidelity	3	0.94	0.35
First Bank	4	1926.57	932.74
FCMB	5	-1.92	-1.83
Skye	6	0.74	0.30
Standard	7	3.17	3.93
Stanbic	8	0.75	0.60
UBA	9	989.75	478.14
Unity	10	0.66	0.75
Wema	11	-3.65	-1.91

*Source: Researcher's Computation
(2016)*

Chart 1: IFRS Adoption on Firms Profitability

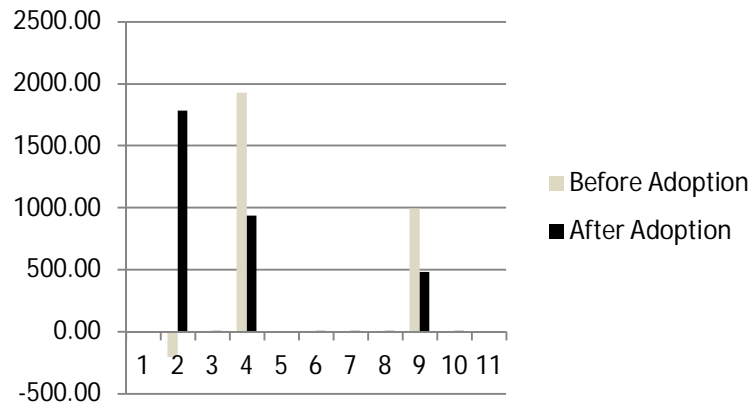


Table 4.1 above shows the results of the computed ratio for financial performance measure by the profitability as proxied by return on total assets (ROA) for the selected banks before the adoption of the IFRS (that is, for final accounts of the banks prepared using the Nigerian GAAP) for a single year (2011) and the ratios after the adoption of IFRS (that is, for final accounts of the banks prepared using the IFRS) for the same year. Chart 1 shows a pictorial diagram of both variables. From the table or chart, Ecobank appear to have perform negatively before the adoption (-207.89) but dramatically improved after the adoption (1782.76). First bank and Union bank appear to have a better performance before the adoption (1926.57 and 989.75 respectively) but the performance dropped after the adoption (932.74 and 478.14 respectively). The impacts on other banks were not very significant.

Table 4.2: IFRS Adoption on Firms Liquidity

Financial Performance - Liquidity (CUR)

Banks		Before Adoption	After Adoption
Diamond	1	1.08	1.06
Eco-bank	2	1.00	1.01
Fidelity	3	1.23	1.25
First Bank	4	1.15	1.15
FCMB	5	1.19	1.19
Skye	6	1.14	1.13
Standard	7	1.15	1.18
Stanbic	8	1.15	1.15
UBA	9	1.08	1.09
Unity	10	1.01	1.01
Wema	11	0.97	0.96

Source: Researcher's Computation
(2016)

Chart 2: IFRS Adoption on Firms Liquidity

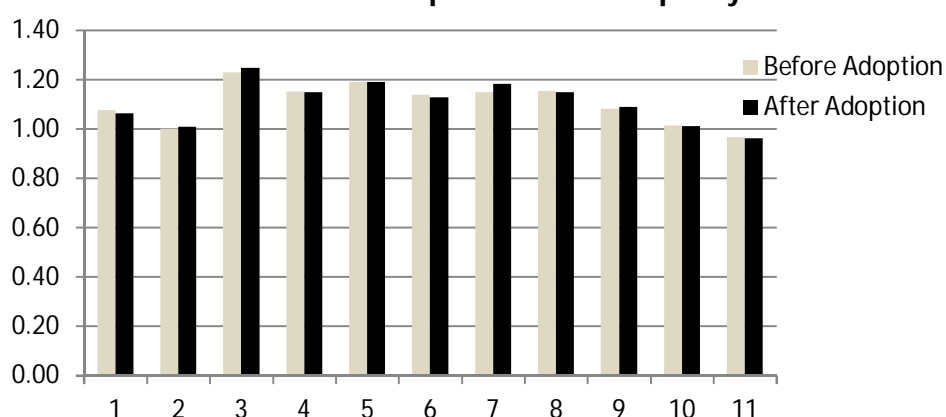


Table 4.2 above shows the results of the computed ratio for financial performance measure by the liquidity as proxied by the current ratio (CUR) for the selected banks before the adoption of the IFRS for a single year (2011) and the ratios after the adoption of IFRS for the same year. Chart 2 shows a pictorial diagram of both computed ratios. From the chart, Diamond bank, Skye bank and Wema bank appear to have performed better before the adoption (1.08, 1.14 and 0.97 respectively) than after the adoption of the IFRS (1.06, 1.13 and 0.96 respectively). Ecobank, Fidelity bank, Standard Chartered bank and UBA appear to have performed better after the adoption (1.01, 1.25, 1.18 and 1.09 respectively) than before the adoption (1.00, 1.23, 1.15 and 1.08 respectively). First bank, FCMB, Stanbic IBTC and unity bank appear not to have any impact as the ratios computed for both periods were consistent. On the whole, Wema bank appears to have the least liquidity while fidelity bank appear to have the highest liquidity ratio for both periods under review.

Table 4.3: IFRS Adoption on Firms Financial Leverage

Financial Performance - Leverage (D/ER)

Banks		NGAAP	IFRS
Diamond	1	7.62	8.28
Eco-bank	2	0.02	0.01
Fidelity	3	4.37	4.05
First Bank	4	0.01	0.01
FCMB	5	4.11	4.12
Skye	6	7.18	7.83
Standard	7	5.49	4.64
Stanbic	8	6.47	6.76
UBA	9	0.01	0.01
Unity	10	7.33	7.51
Wema	11	32.07	34.28

Source: Researcher's Computation (2016)

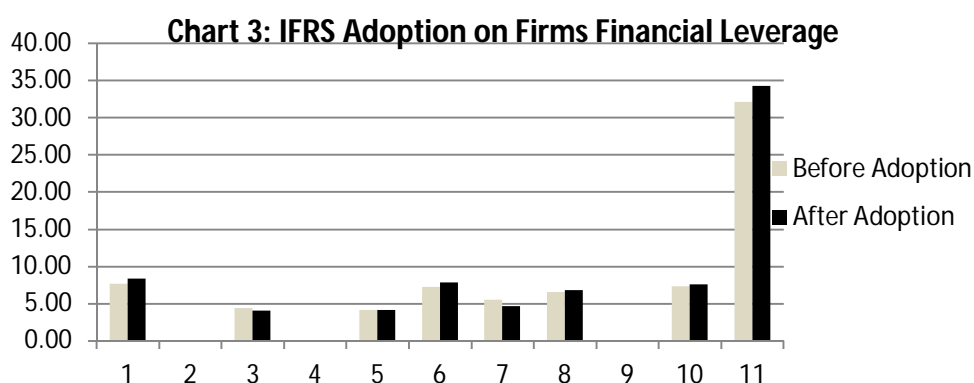


Table 4.3 above shows the results of the computed ratio for financial performance measure by the firms' financial leverage as proxied by the debt to equity ratio (D/ER) for the selected banks before the adoption of the IFRS and the ratios after the adoption of IFRS for the year. Chart 3 shows a pictorial diagram of both computed ratios. From the chart, Diamond bank, FCMB, Skye bank Stanbic IBTC and Wema bank appear to have a lower leverage ratio before the adoption (7.62, 4.11, 7.18, 7.33 and 32.07 respectively) than after the adoption of the IFRS (8.28, 4.12, 7.83, 6.76, 7.51 and 34.28 respectively). Ecobank, Fidelity bank and Standard Chartered bank appear to have a higher leverage ratio before the adoption (0.02, 4.37 and 5.49 respectively) but a lower leverage ratio after the adoption of IFRS (0.01, 4.05 and 4.64 respectively). First bank and UBA appear not to have any impact as the ratios computed for both periods were consistent. On the whole, Wema bank appears to have the highest computed leverage ratio while First bank and Unity bank appear to have the least computed leverage ratio for both periods under review.

Wilcoxon Signed-rank Test

Below is the result of the Wilcoxon signed-rank test, a non-parametric test employed to analyse the relationship between the ratios for the selected banks before the adoption of IFRS and the ratios for the same banks after the adoption of IFRS. The study used secondary data for one year, (2011). The results (Appendix 3 to 5) is as presented:

Table 4.4: The Wilcoxon Signed-Rank Test for IFRS Adoption on Firms Profitability, Liquidity and Leverage

	Financial Performance - Profitability (ROA)	Financial Performance - Liquidity (Current Ratio)	Financial Performance - Financial Leverage (D/ER)
Effective Sample Size (n)	11.00	8	8
Standard Deviation	22.4900	14.2829	14.2829
Test Statistics	0.3600	-0.5601	-0.8402
p-value (Lower Tail)	0.6389	0.2877	0.2004
p-value (Upper Tail)	0.3611	0.7123	0.7996
p-value (Two Tail)	0.7221	0.5754	0.4008
α	0.05	0.05	0.05
T-Table value	10	3	10
$\sum R_+$	37	14	11
$\sum R_-$	29	22	25
$\sum R_{\mp}$	8	-8	-12

Source: Researcher's Computation (2016)

$$\begin{aligned}\sum R_+ &= \text{Sum of Positive Rank,} \\ \sum R_- &= \text{Sum of Negative Rank,} \\ \sum R_{\mp} &= \text{Sum of signed Rank,} \\ \alpha &= \text{Level of significance}\end{aligned}$$

Test of Hypothesis

The following hypotheses were tested:

H₁: IFRS adoption does not significantly affect the profitability of Nigerian banks.

Profitability ratios were tested for difference in variances. Return on assets ratio P-value of 0.7221 is greater than α 0.05, which prescribe failure to accept or reject the null hypotheses. The variation of IFRS financial values is not equal to the variation of NGAAP values. There is a significant difference in the dispersion of the IFRS financial ratios and the Nigerian GAAP financial ratios.

Table 4.4 above, taking the smaller value of the calculated T, $T = 29$, at $\alpha = 0.05$ level of significance, with $n = 11$, and the table value of $T = 10$, the comprehensive return on assets ratio from the calculated Wilcoxon signed-rank test of 29 is greater than the table value of 10. We therefore conclude that there is a statistically significant difference in the dispersion of variations of the IFRS profitability ratios and the Nigerian GAAP profitability ratios. (See Appendix 3)

H₂: IFRS adoption does not significantly affect the liquidity of Nigerian banks.

Liquidity ratios were tested for difference in variances. Current ratio P-value of 0.5754 is greater than α 0.05, which prescribe failure to accept the null. The variation of IFRS financial values of the current ratio is not equal to the variation of NGAAP values. There is therefore a significant negative difference in the dispersion of the IFRS financial ratios and the Nigerian GAAP financial ratios.

From table 4.4 above, the smaller value of the calculated T, $T = 14$, at $\alpha = 0.05$ level of significance, with $n = 8$, and the table value of $T = 3$. This shows that the comprehensive current ratio from the calculated Wilcoxon signed-rank test of 14 is greater than the table value of 3. We therefore conclude that there is a statistically significant difference in the dispersion of variations of the IFRS current ratios and the Nigerian GAAP current ratios. Furthermore, the standard deviation of -0.5601 and sum of signed rank of -8.00 portrays a negative impact of the adoption. (See Appendix 4)

H₃: IFRS adoption does not significantly affect the leverage of Nigerian banks.

Financial leverage ratios were also tested for difference in variances. The debt to equity ratio P-value of 0.4008 is greater than α of 0.05, which prescribe failure to accept the null. The variation of IFRS financial values of the debt to equity ratio is therefore not equal to the variation of NGAAP values. Hence, there is a significant difference in the dispersion of the IFRS financial ratios and the Nigerian GAAP financial ratios.

From table 4.4 above, the smaller value of the calculated T, $T = 11$, at $\alpha = 0.05$ level of significance, with $n = 8$, and the table value of $T = 10$. This shows that the comprehensive debt to equity ratio from the calculated Wilcoxon signed-rank test of 11 is greater than the table value of 10. We therefore conclude that there is a statistically significant difference in the dispersion of variations of the IFRS current ratios and the Nigerian GAAP current ratios. Moreover, a cursory look reveals that the standard deviation of -0.8402 and sum of signed rank of -12 portrays a negative impact of the adoption of IFRS on the leverage (See Appendix 5).

Summary of Findings

We empirically evaluated the impact of IFRS adoption on the financial performance of Nigerian selected banks. The results are summarized below:

- IFRS adoption significantly and positively affects the profitability of Nigerian banks ($p\text{-val } 0.36 > 0.05$).
- IFRS adoption significantly and negatively affects the liquidity of Nigerian banks ($p\text{-val } -0.56 > 0.05$).
- IFRS adoption significantly negatively affects the leverage of Nigerian banks ($p\text{-val } -0.84 > 0.05$).

Conclusion

Accounting standards serve an important role of communicating financial data between the entities and their financial statements users. They are designed to provide accurate and credible information for the decision makers in order to rely on it. Therefore, the accuracy and reliability of financial statements are very important.

This research adds to the body of the preceding analyses of IFRS adoption in Nigeria by indicating that IFRS conversion in Nigeria had statistically significant effects on the profitability, liquidity and leverage ratios of bank reviewed.

Recommendations

In assessing the implications of IFRS adoption, the entire organization of each company facing or having faced this transition should be involved. The management team, employees, auditors, and advisors should be aware of the effect of IFRS on financial reporting and trend analysis. We recommend therefore that the management of banking firms and their financial statements preparers should be cautious in examining these impacts.

Flowing from the increase in the volatility of ratios (used in this work) after the IFRS adoption, firms should prepare adequately on all fronts for the implementation of IFRS and anticipate such changes though they may be a short-term fluctuation rather than a long-term trend.

There should also be much more enlightenment campaigns on the potential effects of IFRS implementation by the regulatory authorities, professional bodies and government before the impact in Nigeria gets worsened and out of hand. Furthermore, companies should endeavour to use the opportunity presented by the adoption of IFRS to improve their business processes in all ramifications so as to aid uniformity and transparency.

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APPENDICES

Appendix 1: COMPUTED RATIO UNDER THE NIGERIAN GAAP

S/NO.	NAME	RETURN ON ASSETS	CURRENT RATIO	DEBT/EQUITY RATIO
1	Diamond	-1.40	1.08	7.62
2	Ecobank	-207.89	1.00	0.02
3	Fidelity	0.94	1.23	4.37
4	First Bank	1,926.57	1.15	0.01
5	FCMB	-1.92	1.19	4.11
6	Skye	0.74	1.14	7.18
7	Standard	3.17	1.15	5.49
8	Stanbic	0.75	1.15	6.47
9	UBA	989.75	1.08	0.01
10	Unity	0.66	1.01	7.33
11	Wema	-3.65	0.97	32.07

Appendix 2: COMPUTED RATIO UNDER THE IFRS

S/NO.	NAME	RETURN ON ASSETS	CURRENT RATIO	DEBT/EQUITY RATIO
1	Diamond	-1.72	1.06	8.28
2	Eco-bank	1782.76	1.01	0.01
3	Fidelity	0.35	1.25	4.05
4	First Bank	932.74	1.15	0.01
5	FCMB	-1.83	1.19	4.12
6	Skye	0.30	1.13	7.83
7	Standard	3.93	1.18	4.64
8	Stanbic	0.60	1.15	6.76
9	UBA	478.14	1.09	0.01
10	Unity	0.75	1.01	7.51
11	Wema	-1.91	0.96	34.28

Appendix 3: The Wilcoxon Signed-Rank Test for IFRS Adoption on Firms Profitability

Banks		Financial Performance - Profitability (ROA)					
		Before Adoption	After Adoption	Sign of Difference	Size of Difference	Rank of Difference	Signed Rank
Diamond	1	-1.40	-1.72	+	0.3224	4	4
Ecobank	2	-207.89	1782.76	-	1574.8722	11	-11
Fidelity	3	0.94	0.35	+	0.5934	6	6
First Bank	4	1926.57	932.74	+	993.8385	10	10
FCMB	5	-1.92	-1.83	-	0.0900	1.5	-1.5
Skye	6	0.74	0.30	+	0.4440	5	5
Standard	7	3.17	3.93	-	0.7600	7	-7
Stanbic	8	0.75	0.60	+	0.1517	3	3
UBA	9	989.75	478.14	+	511.6161	9	9
Unity	10	0.66	0.75	-	0.0900	1.5	-1.5
Wema	11	-3.65	-1.91	-	1.7400	8	-8
						$\sum R_+ =$	37
						$\sum R_- =$	29
							8
Effective Sample Size	11.00					p-value (Lower Tail)	0.6389
Standard Deviation	22.49					p-value (Upper Tail)	0.3611
Test Statistics	0.36					p-value (Two Tail)	0.7221

Source: Researcher's Computation (2016), using MS Excel 2010.

Calculation for Sum of Differences

$$\sum R_+ = 4 + 6 + 10 + 5 + 3 + 9 = 37$$

$$\sum R_- = 11 + 1.5 + 7 + 1.5 + 8 = 29$$

Taking the smaller value of the calculated T, T = 29. At the $p = 0.05$ level of significance, with $n = 11$, the table value of T is 10.

Appendix 4: The Wilcoxon Signed-Rank Test for IFRS Adoption on Firms Liquidity

a.

		Financial Performance - Liquidity (CUR)			
<i>Banks</i>		<i>Before Adoption</i>	<i>After Adoption</i>	<i>Sign of Difference</i>	<i>Size of Difference</i>
Diamond	1	1.08	1.06	+	0.01
Ecobank	2	1.00	1.01	-	-0.01
Fidelity	3	1.23	1.25	-	-0.02
First Bank	4	1.15	1.15	+	0.00
FCMB	5	1.19	1.19	+	0.00
Skye	6	1.14	1.13	+	0.01
Standard	7	1.15	1.18	-	-0.03
Stanbic	8	1.15	1.15	+	0.01
UBA	9	1.08	1.09	-	-0.01
Unity	10	1.01	1.01	+	0.00
Wema	11	0.97	0.96	+	0.01

First Bank, FCMB and Unity Bank are dropped from the analysis as the difference score is zero, so the number of banks, n will now be 8 as shown below:

b.

		Financial Performance - Liquidity (CUR)					
<i>Banks</i>		<i>Before Adoption</i>	<i>After Adoption</i>	<i>Sign of Difference</i>	<i>Size of Difference</i>	<i>Rank of Difference</i>	<i>Signed Rank</i>
Diamond	1	1.08	1.06	+	0.01	3.5	3.5
Ecobank	2	1.00	1.01	-	-0.01	3.5	-3.5
Fidelity	3	1.23	1.25	-	-0.02	7	-7
Skye	6	1.14	1.13	+	0.01	3.5	3.5
Standard	7	1.15	1.18	-	-0.03	8	-8
Stanbic	8	1.15	1.15	+	0.01	3.5	3.5
UBA	9	1.08	1.09	-	-0.01	3.5	-3.5
Wema	11	0.97	0.96	+	0.01	3.5	3.5

$\sum R_+ =$	14.00	
$\sum R_- =$	22.00	-8

<i>Effective Sample Size</i>	8.00	<i>p-value (Lower Tail)</i>	0.2877
<i>Standard Deviation</i>	14.28	<i>p-value (Upper Tail)</i>	0.7123
<i>Test Statistics</i>	-0.56	<i>p-value (Two Tail)</i>	0.5754

Source: Researcher's Computation (2016), using MS Excel 2010.

Calculation for Sum of Differences

$$\sum R_+ = 3.5 + 3.5 + 3.5 + 3.5 = 14$$

$$\sum R_- = 3.5 + 7 + 8 + 3.5 = 22$$

Taking the smaller value of the calculated T, $T = 14$. At the $p = 0.05$ level of significance, with $n = 8$, the table value of T is 3.

Appendix 5: The Wilcoxon Signed-Rank Test for IFRS Adoption on Firms Financial Leverage

a.

		<i>Financial Performance - Financial Leverage (D/ER)</i>			
<i>Banks</i>		<i>Before Adoption</i>	<i>After Adoption</i>	<i>Sign of Difference</i>	<i>Size of Difference</i>
Diamond	1	7.62	8.28	-	-0.66
Ecobank	2	0.02	0.01	+	0.00
Fidelity	3	4.37	4.05	+	0.32
First Bank	4	0.01	0.01	+	0.00
FCMB	5	4.11	4.12	-	-0.01
Skye	6	7.18	7.83	-	-0.64
Standard	7	5.49	4.64	+	0.85
Stanbic	8	6.47	6.76	-	-0.29
UBA	9	0.01	0.01	+	0.00
Unity	10	7.33	7.51	-	-0.18
Wema	11	32.07	34.28	-	-2.22

Eco-bank, First Bank and UBA are dropped from the analysis as the difference score is zero, so the number of banks, n will now be 8 as shown below:

b.

		<i>Financial Performance - Financial Leverage (D/ER)</i>					
<i>Banks</i>		<i>Before Adoption</i>	<i>After Adoption</i>	<i>Sign of Difference</i>	<i>Size of Difference</i>	<i>Rank of Difference</i>	<i>Signed Rank</i>
Diamond	1	7.62	8.28	-	-0.66	6	-6
Fidelity	3	4.37	4.05	+	0.32	4	4
FCMB	5	4.11	4.12	-	-0.01	1	-1
Skye	6	7.18	7.83	-	-0.64	5	-5
Standard	7	5.49	4.64	+	0.85	7	7
Stanbic	8	6.47	6.76	-	-0.29	3	-3
Unity	10	7.33	7.51	-	-0.18	2	-2
Wema	11	32.07	34.28	-	-2.22	8	-8

$$\begin{aligned}\sum R_+ &= 11.00 \\ \sum R_- &= 25.00 \\ &\underline{\hspace{1cm}} \\ &\quad -12\end{aligned}$$

<i>Effective Sample Size</i>	8.00	<i>p-value (Lower Tail)</i>	0.2004
<i>Standard Deviation</i>	14.28	<i>p-value (Upper Tail)</i>	0.7996
<i>Test Statistics</i>	-0.84	<i>p-value (Two Tail)</i>	0.4008

Source: Researcher's Computation (2016), using MS Excel 2010.

Calculation for Sum of Differences

$$\sum R_+ = 4 + 7 = 11$$

$$\sum R_- = 6 + 1 + 5 + 3 + 2 + 8 = 25$$

Taking the smaller value of the calculated T, T = 11. At the $p = 0.05$ level of significance, with $n = 8$, the table value of T is 10.

Appendix 6: Critical (Table) Values of the Wilcoxon T Statistics

The calculated value of T must be lower than or equal to the table value for significance. Dashes in the table indicate that no value is possible for significance.

n	0.05 Level of significance		0.01 Level of significance	
	One-tailed test	Two-tailed test	One-tailed test	Two-tailed test
5	0	—	—	—
6	2	0	—	—
7	3	2	0	—
8	5	3	1	0
9	8	5	3	1
10	10	8	5	3
11	13	10	7	5
12	17	13	9	7
13	21	17	12	9
14	25	21	15	12
15	30	25	19	15
16	35	29	23	19
17	41	34	27	23
18	47	40	32	27
19	53	46	37	32
20	60	52	43	37
21	67	58	49	42
22	75	65	55	48
23	83	73	62	54
24	91	81	69	61
25	100	89	76	68
26	110	98	84	75
27	119	107	92	83
28	130	116	101	91
29	140	126	110	100
30	151	137	120	109
31	163	147	130	118
32	175	159	140	128
33	187	170	151	138
34	200	182	162	148
35	213	195	173	159
36	227	208	185	171
37	241	221	198	182
38	256	235	211	194
39	271	249	224	207
40	286	264	238	220
41	302	279	252	233
42	319	294	266	247
43	336	310	281	261
44	353	327	296	276
45	371	343	312	291
46	389	361	328	307
47	407	378	345	322
48	426	396	362	339
49	446	415	379	355
50	466	434	397	373